

Snap | 14 November 2022

## Eurozone industry experienced dead cat bounce in third quarter

The third quarter saw remarkably strong production as easing supply problems helped production growth. Don't expect this to continue much from here on as new orders, production expectations and increasing inventories point to weakening production ahead



A factory in the Netherlands

Industrial production increased by 0.9% in September and that resulted in a total quarterly increase of 0.5% for 3Q. This was a surprise that added to the positive GDP figure for the quarter. It is most likely caused by fading supply side problems which industry has battled since mid-2020. This is helping backlogs of work to be dealt with, which is boosting production, despite survey data having disappointed consistently over recent months.

In September, production categories were a mixed bag, so there was no broad-based improvement in production. Capital goods and non-durable consumer goods production saw strong growth – just like last month – while intermediate, durable consumer goods, and energy production all declined. Germany was the only large country that recorded growth, while France, Spain and Italy all saw production contract.

While August and September both saw surprisingly strong production, there is little hope for this to

be the start of a strong recovery. Businesses continue to report falling new orders as demand is fading and inventories have increased. For the winter months we, therefore, continue to expect weaker production as the catch-up effect for production is unlikely to last much longer.

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